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**THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
NEWPORT NEWS DIVISION**

In re:

CARTER'S GROVE, LLC

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Case No. 11-51330-SCS

Chapter 11

Debtor

**SECOND AMENDED DISCLOSURE STATEMENT
FOR TRUSTEE'S AMENDED PLAN OF LIQUIDATION**

Stanley J. Samorajczyk, the Chapter 11 Trustee for the Estate of Carter's Grove, LLC,
hereby submits this Second Amended Disclosure Statement for Trustee's Second Amended Plan
of Liquidation, pursuant to §1125 of the Bankruptcy Code, in connection with the proposed
Trustee's Plan of Liquidation.

The purpose of a Disclosure Statement is to provide creditors of each class with sufficient
information to permit them to make an informed decision about whether to vote for or against the

Plan. In framing a Disclosure Statement, the proponent is required by the Code to take into account the sophistication and knowledge of the creditors of each class.

The creditors in this case comprised in Classes 1 through 6 have been represented throughout by skilled counsel and have themselves performed at pertinent times due diligence on the property of the estate and its value. The interests of the unsecured creditors have been entrusted to the Trustee, and the Plan provides for their payment in full ahead of the other creditors in the case other than CWF to the extent there are net proceeds of sale available. This Disclosure Statement reflects these circumstances.

I. INTRODUCTION

Debtor Carter's Grove, LLC (the "Debtor"), commenced this bankruptcy case by filing a voluntary petition under Chapter 11 of the United States Bankruptcy Code. The Chapter 11 case is pending in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court").

Stanley J. Samorajczyk (the "Trustee") is the Chapter 11 Trustee for the Debtor. The Trustee has filed this Second Amended Disclosure Statement for Trustee's Second Amended Plan of Liquidation (the "Disclosure Statement") and accompanying Amended Plan of Liquidation (the "Plan").

This Disclosure Statement contains information regarding the Plan proposed by the Trustee. The purpose of the Disclosure Statement is to provide creditors and other parties-in-interest who are entitled to vote on the Plan with sufficient information to make an informed decision whether to vote to accept or reject the Plan.

In particular, this Disclosure Statement sets forth the terms and conditions of the Plan, the anticipated liquidation of Debtor's assets, and the manner in which distributions will be made

under the Plan. This Disclosure Statement also describes the process for the confirmation of the Plan and the voting procedures that Creditors entitled to vote under the Plan must follow in order to have their votes counted.

A. Exhibits

This Disclosure Statement includes copies of the following documents, which are incorporated herein by reference:

Exhibit 1: Trustee's Plan of Liquidation

Exhibit 2: Liquidation Analysis

B. Plan is the Governing Document

This Disclosure Statement contains, among other things, an accurate description and summaries of the Plan. This Disclosure Statement should be read in conjunction with the Plan, and is qualified in its entirety by the terms and provisions of the Plan.

C. Capitalized Terms

The capitalized terms contained herein have the meanings stated in the Plan unless otherwise noted.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THE DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY.

II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Creditors and Interest Holders Entitled to Vote

The Bankruptcy Code provides that holders of allowed claims or equity interests that are impaired and that are in a class that will receive a distribution under a proposed Chapter 11 Plan are entitled to vote to accept or reject the Chapter 11 Plan. In addition, certain classes of Claims

consist of holders of Claims that are unimpaired under the Plan and are therefore deemed to have accepted the Plan, and are not permitted to vote to accept or reject the Plan.

Pursuant to Trustee's Plan, Classes 1 through 6 are Impaired and are entitled to vote on the Plan, subject to the limitations set forth herein.

B. Voting Procedure, Ballots and Deadline

At such time as the Disclosure Statement is approved by the Bankruptcy Court, Creditors entitled to vote will be provided with a ballot (the "Ballot"), for purposes of voting to accept or reject the Plan. After carefully reviewing the Plan, the Disclosure Statement and the instructions accompanying the Ballot, please indicate your vote on the Ballot by the deadline stated and return the Ballot of the following address: McNamee, Hosea, Jernigan, Kim, Greenan and Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt, MD 20770, Attn: Craig M. Palik, Esq. The deadline for the return of the Ballot is _____, 2014 (TO BE PROVIDED)

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED AND RECEIVED NO LATER THAN 5:00 P.M. PREVAILING EASTERN TIME, ON _____, 2014 AT THE ABOVE ADDRESS.

C. Disclaimers

NO REPRESENTATION CONCERNING THE DEBTOR, THE VALUE OF ITS PROPERTY, OR THE PLAN, IS AUTHORIZED BY THE DEBTOR OR THE TRUSTEE, UNLESS SET FORTH IN THIS DISCLOSURE STATEMENT. ACCORDINGLY, NO REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD BE RELIED UPON IN EXERCISING THE RIGHT TO VOTE OR NOT TO VOTE ON THE ACCEPTANCE OF THE PLAN.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. NO REPRESENTATION IS MADE THAT ANY FINANCIAL SYNOPSES ANNEXED HERETO OR RELIED UPON HEREIN ARE PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PROCEDURES ("GAAP"). THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. MOREOVER, THIS DISCLOSURE STATEMENT SHOULD NOT BE DEEMED CONCLUSIVE ADVICE ON

THE TAX AND OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AND INTERESTS.

THE TRUSTEE BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO CREDITORS. THE TRUSTEE THEREFORE BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS.

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT, THE BANKRUPTCY COURT HAS AUTHORIZED NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE VALUE OF ITS ASSETS. IN VOTING ON THE PLAN, YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OR REJECTIONS OF THE PLAN BY CREDITORS OF THE DEBTOR, WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN SHOULD BE REPORTED TO COUNSEL FOR THE TRUSTEE WHO, IN TURN, MAY PROVIDE SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED, AND DISSEMINATION OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS COMPILED.

THE PLAN AND DISCLOSURE STATEMENT ARE COMPLEX INsofar AS THEY CONSTITUTE A LEGALLY BINDING COMMITMENT BETWEEN CREDITORS AND THE DEBTOR. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

THE DESCRIPTION OF THE PLAN IN THIS DISCLOSURE STATEMENT IS A SUMMARY ONLY, AND CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THIS ENTIRE DISCLOSURE STATEMENT AND ITS EXHIBITS, THE DETAILED DESCRIPTION OF THE PLAN CONTAINED HEREIN, AND THE PLAN ITSELF WHICH IS ANNEXED HERETO, FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS.

D. Scheduled Hearing

A hearing on the approval of this Disclosure Statement has been scheduled

Honorable Stephen C. St. John, United States Bankruptcy Judge, in the United States Bankruptcy

Court for the Eastern District of Virginia, Norfolk Division, Walter E. Hoffman United States Courthouse, 600 Granby Street, Bankruptcy Courtroom One, Norfolk, Virginia 23510 on **Tuesday, March 11, 2014, at 9:30 a.m.** (the “Disclosure Statement Hearing”), to consider entry of an order finding, among other things, that the Disclosure Statement contains “adequate information” within the meaning contained in Section 1125 of the Bankruptcy Code, and approving the Disclosure Statement. The Disclosure Statement Hearing may be adjourned from time to time, without further notice to creditors or parties in interest, by an announcement in the Bankruptcy Court of such adjournment on the date scheduled for the Disclosure Statement Hearing or in the agenda filed with respect to the scheduled Disclosure Statement Hearing.

E. Recommendation of the Trustee

The Trustee believes that the Plan provides the greatest and earliest possible recoveries to all creditors, and that the acceptance of the Plan is in the best interest of all creditors. The Trustee recommends that creditors and interest holders vote to accept the Plan accordingly.

III. DEBTOR’S PRE-PETITION BACKGROUND AND HISTORY

A. History of Carter’s Grove Property

Debtor Carter’s Grove, LLC, owns certain Assets, including a historic 475 acre property located in the town of Grove, James City County, Virginia, eight miles east of historic Williamsburg, Virginia composed of two separate parcels commonly known as “Carter’s Grove” and “Martin’s Beach.” Carter’s Grove is approximately 400 acres and is improved by a historic mansion and other buildings as described below; Martin’s Beach is an adjacent 75 acre tract that is not improved. Collectively, Martin’s Beach and Carter’s Grove are hereinafter referred to as the Property or the Assets. Carter’s Grove is designated as a National Historic Landmark and listed on the National Register of Historic Places and is subject to a conservation easement in

favor of the Virginia Outdoors Foundation (“VOF”) and the Virginia Department of Historic Resources (“VDHR”). Nothing in the Plan or the Confirmation Order will modify the conservation Easement in favor of the VOF or the VDHR.

Carter’s Grove is improved in part by an approximate 18,500 square foot plantation house (herein referred to as the “Mansion”) that was initially constructed in 1750. It contains Native American and early colonial archeological sites, over a mile of riverfront access to the James River with exceptional views, reconstructed slave quarters and other outbuildings, including a stable, a guest cottage and an underground museum.

The Mansion was built by Carter Burwell in contemporary 18th century Georgian-style construction with a refined, sophisticated design featuring some of the best American decorative woodwork from the period. Carter’s Grove is a national treasure that has withstood the test of time due to the craftsmanship and materials employed in its construction and the care and maintenance provided over the years by numerous owners.

B. Martin’s Beach Parcel

Martin’s Beach is an approximate 75 acre parcel (“Martin’s Beach”) of unimproved property located adjacent to Carter’s Grove. Martin’s Beach is zoned for residential development and is subject to an easement in favor of the Hampton Roads Sewer District (“HRSD”).

Pursuant to the Plan, Martin’s Beach may be sold either separately or as part of the sale of Carter’s Grove. As of the date of this Disclosure Statement and Plan, Martin’s Beach is not being marketed as part of the sale of Carter’s Grove. Martin’s Beach will be sold and conveyed to its purchaser as part of the Plan.

C. 2007 Purchase of the Property by Carter's Grove, LLC

The Colonial Williamsburg Foundation ("CWF") acquired Carter's Grove in 1969, operated it as a museum until 2002, and continued its stewardship of the Property until late 2007. During October 2007, CWF entered into a contract for the sale of the Property to the Halsey McLean Minor Revocable Trust 110304 (the "Minor Trust"), for \$15,300,000. At or about the time of the sale, CWF granted a preservation and conservation easement on Carter's Grove in favor of VDHR and VOF (the "Easement").

The purchase agreement was ultimately assigned to the Debtor, a Virginia limited liability company, formed during December 2007. According to CWF, the Property was transferred to the Debtor in a historically preserved condition, with the exception of the roof, which the parties acknowledged needed repair.

Pursuant to its purchase of the Property, the Debtor executed a note in the original principal amount of \$10,300,000 payable to CWF (the "Note"). Repayment of the Note is secured by a deed of trust recorded against the Property (the "Deed of Trust").

The sole member of the Debtor is the Minor Trust. Mr. Halsey Minor is the trustee of the Minor Trust and the sole beneficiary of the Minor Trust.

D. Debtor's Chapter 11 Filing and Appointment of Chapter 11 Trustee

Subsequent to its purchase of the Property, the Debtor defaulted under its obligation to provide payments to CWF pursuant to the Note. CWF commenced foreclosure proceedings in January 2011. The Debtor filed this Chapter 11 case on February 14, 2011 (the "Petition Date") and stayed the foreclosure accordingly.

The Debtor proceeded in Chapter 11 as a "Debtor-in-Possession" until March 22, 2012. At that time, the Court (St. John, J.), entered an Order directing the appointment of a Chapter 11

Trustee to manage, control and direct the Debtor, and its business and financial affairs. On April 6, 2012, Stanley J. Samorajczyk was appointed to serve as Chapter 11 Trustee.

From the date of his appointment, the Trustee has been guided by the primary goal of repairing and preserving Carter's Grove and then marketing it for sale to a qualified buyer. Since the date of his appointment, the Trustee has examined all information provided to him regarding the Debtor and the Property and has also investigated, *inter alia*, the nature and extent of the Debtor's assets, post-petition operations, known administrative expenses, insurance coverage, the role and current status of obligations to the Debtor's employees, and other matters relevant to the preservation and stabilization of the Debtor's estate. The Trustee has determined that the repair and restoration of Carter's Grove followed by a sale of the Property is the most effective method of preserving Carter's Grove and satisfying the Claims of creditors.

IV. CHAPTER 11 BANKRUPTCY CASE

A. Summary of Debtor's Assets and Debts

The Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code on February 14, 2011, in the United States Bankruptcy Court for the Northern District of California. Venue was subsequently transferred to the United States Bankruptcy Court for the Eastern District of Virginia, Newport News Division.

The Debtor filed Amended Schedules on July 21, 2011, and listed assets including the Property and certain personal property consisting primarily of used landscape maintenance equipment. The current value of the personal property does not exceed \$75,000.00.

The Debtor also listed its debts in its Amended Schedules. Specifically, the Debtor disclosed secured debt in the amount of \$12,422,064.00 based upon liens asserted against the

Property. Further, the Debtor identified Unsecured Priority Claims in the amount of \$14,941.92. The Debtor also listed Unsecured Non-Priority Claims in the total amount of \$61,920.00.

B. Marketing and Sale of Carter's Grove

Pursuant to his review of the Debtor's financial and physical circumstances, the Trustee determined that the sale of the Property was the most effective method available to both preserve Carter's Grove and satisfy the Claims of the creditors. Accordingly, the Trustee examined material from several real estate brokers with experience in the marketing and sale of historic properties in Virginia. The Trustee ultimately selected McLean Faulconer, Inc. of Charlottesville, Virginia ("McLean Faulconer" or the "Broker"). The Bankruptcy Court subsequently entered an Order approving the employment of McLean Faulconer as real estate broker for Carter's Grove.

The Trustee entered into a Listing Agreement with McLean Faulconer for the exclusive rights to advertise Carter's Grove for sale through December 31, 2013. The parties have amended the Listing Agreement to extend McLean Faulconer's exclusive authorization to advertise and sell Carter's Grove only for an additional six months through June 30, 2014. The extension has been approved by this Court. The extension of the Listing Agreement does not extend any of the dates or deadlines in the Settlement Agreement.

The Listing Agreement, as amended, provides that, in the event of a private sale of Carter's Grove during the extension period, McLean Faulconer will be entitled to a commission of five percent (5%) of the purchase price. The Listing Agreement further provides that the Trustee shall not be obligated to pay the commission if, after the expiration of the Listing Agreement or any extension thereof, the property is sold at foreclosure or through a credit bid by CWF at an auction sale conducted by the Trustee. Finally, the Listing Agreement provides that

in the event of an auction sale pursuant to Bankruptcy Code Section 363, if the winning bidder is not CWF pursuant to a credit bid, McLean Faulconer shall be entitled to (i) a commission of five percent (5%) if the purchaser at the auction was originally presented by McLean Faulconer during the term of the Listing Agreement, or (ii) a commission of 2% if the stalking horse bidder (but not the ultimate purchaser) at the auction was originally presented by McLean Faulconer during the term of the Listing Agreement

McLean Faulconer has marketed Carter's Grove for sale since their approval as broker by the Bankruptcy Court. The marketing activities are ongoing.

The Trustee will also sell the Martin's Beach parcel as part of the Plan. The Martin's Beach parcel will be sold either together with Carter's Grove or separately. The Trustee has not yet received an offer to buy either Carter's Grove or the Martin's Beach parcel.

The value of Carter's Grove will be unknown until a buyer at foreclosure or in a sale by the Trustee enters into a binding contract of purchase. The property was valued at \$15,300,000.00 in 2007, following the imposition of the Easement on the Mansion Tract. The property was valued at \$15,000,000 by the Debtor in Possession's appraiser as of May 31 2011. The Trustee initially listed Carter's Grove for sale at \$14.95 million in May of 2013. To date McLean Faulconer has received numerous inquiries from financially qualified buyers and continues to respond to all inquiries from prospective qualified buyers, however, no offers have yet been received.

The value of the Martin's Beach property has been appraised at \$300,000 to \$800,000 as a "buffer zone" protecting the Mansion Tract. A stand-alone appraisal indicates a much higher value, but is subject to a number of limiting conditions.

With respect to both tracts, the Trustee believes that a private sale is likely to bring substantially greater sales proceeds than a foreclosure or auction sale by/to The Colonial Williamsburg Foundation.

C. Contested Matters, Adversary Proceedings and Settlements of Disputes

1) The Colonial Williamsburg Foundation

On June 24, 2011, the Debtor in Possession commenced an adversary proceeding (the “CWF Adversary Proceeding”) against CWF. As described in greater detail in the complaint filed in the CWF Adversary Proceeding, the Debtor in Possession objected to the Claim filed by CWF, and asserted certain affirmative causes of action for recovery against CWF, alleging, inter alia, that CWF knew of, failed to disclose and actively concealed significant defects in the Carter’s Grove. On or about August 26, 2011, CWF filed an answer to the complaint, disputing the validity of the Debtor in Possession’s claims in the Adversary Proceeding.

Rather than proceeding with litigation, the Debtor in Possession and CWF commenced discussions in February 2012 to attempt to resolve the Adversary Proceeding and determine the terms under which CWF would support the sale of the Property. The Debtor in Possession and CWF agreed to certain settlement terms, including CWF funding necessary repairs to the Mansion, as well as a date certain to sell the Property. On March 21, 2012, the Debtor in Possession filed its Motion for Entry of an Order: (A) Approving Settlement Agreement; (B) Authorizing Debtor to Obtain Post-Petition Financing and Related Relief; and (C) Approving Sale Process of the Debtor’s Real Property, seeking approval of its settlement agreement with CWF. On March 27, 2012, the Court denied the motion to compromise on the basis that the Court had ordered the appointment of a Chapter 11 Trustee at the conclusion of a hearing held on March 22, 2012.

Upon the Trustee's appointment, the Trustee and his counsel engaged in extensive discussions with CWF, representatives of the Debtor in Possession and others (including holders of historic preservation easements on the property) concerning the claims and defenses asserted in Adversary Proceeding. Effort was undertaken to understand and analyze the factual allegations made by each of the parties and to review the extensive amount of documentation (including 13 CD ROMs of documents exchanged in discovery or otherwise related to the Adversary Proceeding) that was provided to the Trustee. Multiple site visits were undertaken to see first-hand the condition of the Property. The Trustee's counsel also researched the applicable federal and state law as it related to the facts that had been discovered and advised the Trustee of their research and legal analysis. The Trustee was unable to find evidence that the Property is contaminated or that CWF had defrauded the Debtor in Possession and, thus, concluded that the allegations in the Adversary Proceeding regarding contamination and fraud were unfounded and/or not supported by applicable law.

The Trustee then approached CWF regarding the settlement of the Adversary Proceeding. After careful negotiation, the Trustee and CWF entered into a settlement agreement (the "CWF Settlement Agreement"). A motion for approval of the CWF Settlement Agreement was filed with the Court and noticed for hearing. After an evidentiary hearing the Court entered an Order approving the CWF Settlement Agreement on September 12, 2012. In essence, the Settlement Agreement required that CWF fund, as a loan to the estate, the necessary repairs and day-to-day costs of operating and maintaining the Mansion, as well as the payment of the Trustee's attorneys and other professional fees not to exceed \$500,000, in exchange for the Trustee's agreement to dismiss with prejudice the Adversary Proceeding. Also Under the terms of the Settlement Agreement, the Claims of CWF were to be established by specific amount or by

readily computable formulas, with one exception. Specifically, the Order approving the Settlement Agreement provides as follows:

6.01 CWF's secured claim shall be allowed in the full amount owing under the Note and Deed of Trust, including interest at the contract rate, late charges, and attorneys' fees and costs until the Note is fully paid. Subject to the Trustee's right to review the reasonableness of the attorneys' fees incurred by CWF pursuant to this Paragraph, the Parties agree that: (a) as of May 31, 2012, the balance due totaled \$5,493,361, which includes reasonable attorneys' fees and costs incurred through May 31, 2012; and (b) this balance is due and owing, and that the Estate has no defenses, offsets, or counterclaims to this balance due. The Trustee reserves the right to object to the reasonableness of the attorneys' fees included in the foregoing total, but not any other portion of such claim. CWF shall provide the trustee with attorney billing statements in support of the calculation of CWF's fees, without disclosure of any privileged communications. If the Trustee does not file a formal objection with the Court within two weeks after his receipt of the information provided, or agree on a resolution of any dispute, the terms of which shall be subject to approval by the Court, the Trustee shall be deemed to have waived any and all objections to the attorneys' fees including in the above stated balance [as] reasonable. Interest continues to accrue on this balance thereafter at the rate of \$564.38 per day from and including June 1, 2012. This balance shall be increased for all reasonable attorneys' fees and costs incurred on and after May 31, 2012, interest accruing after May 31, 2012, and the New CWF Advances, and interest thereon. This total balance as so allowed shall constitute the "CWF Claims."

Despite the Trustee's repeated attempts, CWF has declined, in the Trustee's view, to provide information in support of the legal services of its counsel, which it claims to be over \$1.0 million, sufficient for the Trustee to make a determination of the reasonableness of the legal fees claimed by CWF. CWF disputes the Trustee's contention. Absent the resolution of the dispute over the compliance with Section 6.01 of the CWF Settlement Agreement, the Trustee will file an objection to the allowance of legal fees in the Claims of CWF. If the fees are not liquidated as to amount by the time of Closing on the Trustee's auction sale or a private sale, Closing Proceeds will be set aside in the Segregated Cash Collateral Account in such amount as the

Bankruptcy Court concludes is reasonable and CWF's lien will attach to the Segregated Cash Collateral Account.

2) AVN Air, LLC. Sotheby's Inc., Pachulski, Stang Ziehl & Jones, LLP, Foley & Lardner, LLP and Hirschler Fleischer, PC

The Trustee further examined the Claims of (a) AVN Air, LLC ("AVN"); (b) Sotheby's, Inc. ("Sotheby's"); and (c) Pachulski, Stang Ziehl & Jones, LLP, ("PSZJ"), Foley & Lardner, LLP ("FL") and Hirschler Fleischer, PC ("HF") (PSZJ, FL and HF are collectively referred to herein as the "DIP Professionals") and determined that there were bases for objecting to each on grounds previously articulated to the Court. AVN, Sotheby's, PSZJ, FL and HF each denied that the Trustee had valid bases for objecting to their respective Claims.

After extensive and careful negotiation, which included negotiations with multiple other creditors of the estate, the Trustee and AVN, Sotheby's, PSZJ, FL and HF agreed to certain settlement terms which were reduced to agreements (collectively, the "Omnibus Settlement Agreement"). A motion to approve the Omnibus Settlement Agreement was filed with the Court (the "Omnibus Settlement Motion"). After notice and a hearing, the Court approved the Omnibus Settlement Agreement by entry of an order dated August 6, 2013 (the "Order Approving the Omnibus Settlement Agreement"). The mutual substantive elements of the Omnibus Settlement Agreement were set forth in the Omnibus Settlement Motion as follows:

- (a) Subject to the mutual subordinations set forth in the Omnibus Settlement Motion, AVN and Sotheby's will retain their liens and claims, subject to allowance by the court of the final amounts due. AVN shall have an allowed, secured claim in the amount of \$4.9 million, plus additional interest described above in accordance with applicable law and under relevant security documents. AVN shall have an allowed, unsecured claim in such amount as the Court may subsequently approve. Sotheby's secured claim will be limited to the lesser of its allowed secured claim or \$1.6 million. The Trustee agrees to and supports the allowance of AVN's and Sotheby's secured claims as set forth above.

- (b) AVN and Sotheby's and the DIP Professionals will receive general releases upon entry of the Order Approving Omnibus Settlement Agreement.
- (c) The DIP Professional's claims will be allowed as administrative claims in an amount determined by the Court, subject to the mutual subordinations set forth in the Omnibus Settlement Motion. The Trustee will not, at the hearing thereon, oppose their applications in light of the settlement reached, the ordering and priority of payments reached as a result thereof, and the belief that the approval of the settlement agreement is in the best interests of the Estate and its creditors, which will permit a plan of reorganization capable of confirmation to be proposed.
- (d) AVN, Sotheby's, and the DIP Professionals will subordinate their allowed claims to (i) all other allowed priority claims, including, but not limited to, the Trustee's compensation (including any commission awarded by the Court), the Trustee's professional and other expenses (to the extent not funded under the CWF Settlement) and (ii) up to an \$85,000 payment to general unsecured creditors on account of their allowed claims. Upon information and belief, the total general unsecured claims asserted against the estate at this time are less than \$85,000.
- (e) Proceeds from a sale of the Property shall be distributed in accordance with the following order of priorities: (i) all costs of sale, including brokerage; (ii) the payment of the Trustee's compensation (including any commission) as allowed by the Court; (iii) the payment of CWF's lien in full as allowed; (iv) allowed Trustee's professional fees plus allowance for post-confirmation expenses provided for in a confirmed plan; (v) allowed priority unsecured claims; (vi) allowed general unsecured claims; (vii) \$1.5 million of AVN's secured claim; (viii) \$600,000 of the DIP Professionals' claims; (ix) up to \$3.4 million to AVN on the balance of its secured claim; (x) up to \$1.6 million to Sotheby's on the balance of its secured claim; (xi) the balance of allowed claims of DIP Professionals as determined by the Court and not paid as provided above; (xii) the balance of AVN's allowed claim amount; and (xiii) equity.
- (f) The subordinations agreed to by the parties will remain in effect if there is a conversion of the case to a Chapter 7 liquidation, but not in the event of a dismissal or foreclosure.
- (g) The Trustee, AVN, Sotheby's and the DIP Professionals retain their rights to object to any claims in the case or requests for compensation or reimbursement, consistent with the terms herein recited.
- (h) Nothing in the Omnibus Settlement Agreement affects, and nothing in the Order Approving Omnibus Settlement Agreement shall affect, the "Order Approving Settlement Agreement" between the Trustee and CWF.

V. SUMMARY OF THE PLAN OF LIQUIDATION

THIS SECTION PROVIDES A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CREDITORS AND INTEREST HOLDERS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTEREST IN, THE DEBTOR.

A. Brief Overview of the Plan

The Plan is a liquidating plan. The Plan provides that Carter's Grove will be sold free and clear of liens and encumbrances (other than the Easement) and that the proceeds of the sale will be disbursed to Creditors with Allowed Claims according to the priorities set forth in the Plan. Pursuant to the Plan, the Trustee will disburse the sale proceeds and provide payments to Creditors according to the Plan. Upon the Closing of the sale of Carter's Grove, the Debtor will have no further interest in Carter's Grove.

The Plan further provides that Martin's Beach will also be sold, either as part of the sale of Carter's Grove or separately. The proceeds of the sale of Martin's Beach will also be disbursed to Creditors with Allowed Claims according to the terms of the Plan. Upon the Closing of the sale of the Martin's Beach Parcel, Debtor will have no further interest in the Martin's Beach Parcel.

The Effective Date of the Plan is thirty (30) days following the Confirmation Date.

Upon Confirmation of the Plan by the Court, the Plan will be legally binding on the Debtor, the Trustee, Creditors and other parties-in-interest. The Debtor will not receive a discharge and Interests in the Debtor will be cancelled.

The Plan also sets forth the Classes of Claims established under the Plan, the treatment of the Allowed Claims of Creditors included in those Classes, and the distributions to holders of Allowed Claims in the Classes. Creditors and parties-in-interest are urged to read the entire Plan, attached as Exhibit 1, and to consult with their representative counsel, accountants and business advisors, in order to fully understand the Plan.

B. Classification of Claims and Interests

The Plan designates Class of Creditors and Interests for the purpose of voting and receiving distributions under the Plan. The Classes of Claims and Interests are set forth in Section VI, below.

The Classes do not include Allowed Administrative Claims and Unsecured Priority Claims. The identification and treatment of such Unclassified Claims is also included in Section VI, below.

VI. DESIGNATION AND TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

The Trustee has designated the Classes of Creditors and Unclassified Claims as set forth below. The treatment of the Allowed Claims of Creditors and Interest holders is also described in this Section.

A. Classes of Claims

Class 1: Allowed Secured Tax Claim of James City County, Virginia.

Class 2: Allowed Secured Claim of CWF.

Class 3: All Allowed Unsecured Non-Priority Claims.

Class 4: Allowed Secured Claim of AVN Air, LLC (“AVN”).

Class 5: Allowed Secured Claim of Sotheby’s Inc. (“Sotheby’s”)

Class 6: All Equity Interests in the Debtor.

B. Unclassified Claims: Administrative Expense Priority Claims and Unsecured Priority Claims

1) Administrative Claims

An Administrative Claim is a Claim for costs and expenses of administration of the Chapter 11 case, as provided under Bankruptcy Code Sections 503(b), 507(b), or 1114(e)(2), and is entitled to priority under Bankruptcy Code Section 507(a)(2). Administrative Claims set forth under the Plan include (i) any actual and necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the business of the Debtor (such as wages, salaries, commissions for services and payments for inventory, leased equipment and premises); (ii) the Claims of government units for taxes (including tax audit claims related to tax years commencing after the Petition Date, but excluding Claims related to tax periods, or portions thereof, ending on or before the Petition Date); and (iii) all other Claims entitled to Administrative Claim status pursuant to a Final Order of the Bankruptcy Court, including Professional Fee Claims.

The Plan provides that an Administrative Claim that is a Disputed Claim will not receive any distribution unless and until such Claim becomes an Allowed Administrative Claim. An Administrative Claim not filed prior to the Administrative Claim Bar Date is waived and barred, and the holder is not entitled to a distribution under the Plan, and the Debtor, its estate, and the Trustee will have no obligation with respect thereto.

The Administrative Claims to be paid under the Plan are more particularly described in subsections (a) through (c), below.

a) Administrative Claims Other Than Professional Fees and Tax Claims

Administrative Claims other than Professional Fees and Tax Claims include the Trustee's Compensation and the Broker's Commission for the sale of Carter's Grove. The Trustee's

Compensation is projected to be approximately \$450,000.00, assuming a sale for the full listing price for Carter's Grove and as provided by the Bankruptcy Code. The Broker's Commission in a private sale is five percent (5%) of the sale price of Carter's Grove and is projected to be \$750,000.00 assuming a sale for the full listing price for Carter's Grove, unless the buyer credit bids, in which case the Broker's Commission is not owed on the amount credit bid. A separate Broker's commission may be payable for the sale of Martin's Beach and will be payable upon the sale of that Asset. The Trustee's Compensation and Broker's Commission will be paid promptly after the later of the Closing or Bankruptcy Court approval of the Trustee's Compensation and Broker's Commission from the proceeds of the sale of Carter's Grove.

b) Professional Fee Claims of Trustee's Counsel

If the proceeds are sufficient to do so, Allowed Professional Fee Claims of the Trustee's Counsel will be paid in full on or after the Effective Date, following the payment of the (i) costs of sale, including the Broker's Commission; (ii) Trustee's Allowed Administrative Claim for commission and compensation, as allowed by the Court ("Trustee's Compensation"); and (iii) Allowed Class 1 Secured Claim of James City County; and (iv) Allowed Class 2 Secured Claim of CWF.

During the pendency of Debtor's Chapter 11 Case, the Court approved the Professional Fees and expenses of Trustee's Counsel, McNamee Hosea Jernigan Kim Greenan and Lynch, P.A. ("McNamee Hosea") (in the aggregate amount of \$378,163.90) and Willcox & Savage, P.C. ("Willcox") (in the aggregate amount of \$470,940.86) on an interim basis through March 31, 2013. McNamee Hosea has received payment of \$214, 150.04 and Willcox has received payment of \$223,937.38 toward the Professional Fees and expenses that have been awarded. All such interim awards are subject to final application and final allowance.

In addition to the previous interim awards, Professional Fee Claims for the Trustee's Counsel for the period from April 1, 2013 through December 31, 2013 are approximately \$364,510.23. This sum consists of \$111,472.13 in McNamee Hosea fees and \$253,038.10 in Willcox's fees, which are subject to further adjustment and approval by the Court.

Following approval by the Court, all unpaid Professional Fee Claims for the Trustee's Counsel will be paid on or after the Effective Date from the proceeds of the sale of the Property, according to the priority set forth above.

c) Subordinated Claims of Debtor-In-Possession Professionals

From the Petition Date through the appointment of the Trustee, Debtor operated as the Debtor in Possession ("DIP") in this Chapter 11 case. Debtor was represented by the DIP Professionals prior to the Trustee's appointment.

The DIP Professionals are the holders of Allowed Administrative Claims for legal services provided to Debtor. The Allowed Administrative Claims of HF, PSZJ and FL will be paid, up to the total amount of \$600,000.00, to the extent funds are available from the proceeds of the sale of the Property, following the payment of the (i) all costs of sale, including Broker's Commission; (ii) the Trustee's Compensation, as Allowed by the Court; (iii) Allowed Class 1 Secured Claim of James City County; (iv) Allowed Class 2 Secured Claim of CWF; (v) Unsecured Priority Tax Claims; (vi) Trustee's Professionals' Allowed Administrative Claims; (vii) Allowed Class 3 Unsecured Claims; and (viii) Tranche 1 of the Allowed Class 4 Claim.

HF's subordinated Allowed Administrative Claim is \$85,854.95. PSZL's subordinated Allowed Administrative Claim is \$672,692.69. FLP's Allowed Administrative Claim is \$248,684.72. The balance of the DIP Professionals Allowed Administrative Claims (i.e., the amount in excess of \$600,000.00) shall be paid to the extent funds are available from the

proceeds of the sale of the Property, after payment of all other Unclassified Claims, the Allowed Class 1 Claim, the Allowed Class 2 Claim, the Allowed Claims 3 Claim, \$4.9 million of the Allowed Class 4 Claim of AVN and \$1.6 million of the Allowed Class 5 Claim of Sotheby's.

The payments to the DIP Professionals shall be paid on or after the Effective Date from the proceeds of the sale of the Property. The payments will be disbursed pro rata among the DIP Professionals.

2) Unsecured Priority Claims

Unsecured Priority Claims consist of the Allowed Claims of government units for prepetition tax liability, and of Claims of Debtor's employees, if any, for wages earned within ninety (90) days preceding the Petition Date, not to exceed the sum of \$11,750.00 for each such wage Claim, and any security deposits held for lessees. Allowed Unsecured Priority Claims will be paid in full on or after the Effective Date from the proceeds of the sale of the Property. An Unsecured Priority Claim that is a Disputed Claim will not receive any distribution unless and until such Claim is Allowed.

The Allowed Unsecured Priority Claims consist of the Claim of the Internal Revenue Service (the "IRS") in the amount of \$48,834.05 and two (2) of Debtor's employees, in the amount of approximately \$4,487.26. The Trustee disputes the IRS's Claim based upon the IRS's failure to substantiate its Claim.

C. Treatment of Classified Claims and Interests

1) Class 1: Secured Tax Claims of James City County, Virginia

Class 1 consists of the Allowed Secured Claim of James City County, Virginia. Class 1 is Impaired. The Allowed Class 1 Claim shall be paid in full on or before the Effective

Date from the available Closing Proceeds from the sale of Assets. Upon the payment its Class 1 Claim, James City County, Virginia shall cause its lien against the Property to be released.

The Allowed Class 1 Secured Claim will be approximately \$54,000.00.

2) Class 2: Secured Claim of CWF

Class 2 consists of the Allowed Secured Claim of CWF. Class 2 is Impaired. Except to the extent that a Segregated Cash Collateral Account is established from the proceeds of the sale of the Assets, the Allowed Secured Class 2 Claim shall be paid in full in cash on or before the Effective Date from the available Closing Proceeds from the sale of Assets. CWF's Allowed Class 2 Secured Claim will include amounts advanced to the Trustee to continue maintaining and insuring the Property pursuant to the Settlement Agreement through the Closing and continuing accrual of interest. Upon the payment of the Class 2 Claim and/or the establishment of the Segregated Cash Collateral Account, CWF shall cause its lien against the Property to be released.

In the event the Allowed Class 2 Secured Claim is not paid in full by May 1, 2014 (unless extended in writing by the Trustee and CWF), and the Trustee fails to comply with the auction procedures set forth in the CWF Settlement Agreement by May 31, 2014 (unless extended in writing by the Trustee and CWF), the automatic stay shall be terminated as to CWF and CWF shall be entitled to exercise its rights under the CWF Deed of Trust.

Under the terms of the CWF Settlement Agreement, the Claims of CWF were established by specific amount or by readily computable formulas, with one exception. Specifically, the Financing Order provides as follows:

- 3) 6.01 CWF's secured claim shall be allowed in the full amount owing under the Note and Deed of Trust, including interest at the contract rate, late charges, and attorneys' fees and costs until the Note is fully paid. Subject to the Trustee's right to review the reasonableness of the attorneys' fees incurred

by CWF pursuant to this Paragraph, the Parties agree that: (a) as of May 31, 2012, the balance due totaled \$5,493,361, which includes reasonable attorneys' fees and costs incurred through May 31, 2012; and (b) this balance is due and owing, and that the Estate has no defenses, offsets, or counterclaims to this balance due. The Trustee reserves the right to object to the reasonableness of the attorneys' fees included in the foregoing total, but not any other portion of such claim. CWF shall provide the trustee with attorney billing statements in support of the calculation of CWF's fees, without disclosure of any privileged communications. If the Trustee does not file a formal objection with the Court within two weeks after his receipt of the information provided, or agree on a resolution of any dispute, the terms of which shall be subject to approval by the Court, the Trustee shall be deemed to have waived any and all objections to the attorneys' fees including in the above stated balance [as] reasonable. Interest continues to accrue on this balance thereafter at the rate of \$564.38 per day from and including June 1, 2012. This balance shall be increased for all reasonable attorneys' fees and costs incurred on and after May 31, 2012, interest accruing after May 31, 2012, and the New CWF Advances, and interest thereon. This total balance as so allowed shall constitute the "CWF Claims."

Despite the Trustee's repeated attempts, CWF has declined, in the Trustee's view, to provide information in support of the legal services of its counsel, which it claims to be over \$1.0 million, sufficient for the Trustee to make a determination of the reasonableness of the legal fees claimed by CWF. CWF disputes the Trustee's contention. Absent the resolution of the dispute over the compliance with Section 6.01 of the CWF Settlement Agreement, the Trustee will file an objection to the allowance of legal fees in the Claims of CWF. If the fees are not liquidated as to amount by the time of closing on the Trustee's auction sale or a private sale, Closing Proceeds will be set aside in the Segregated Cash Collateral Account to secure payment of the fees ultimately Allowed by the Bankruptcy Court. CWF's lien will attach to the Segregated Cash Collateral Account. The remainder of CWF's Class 2 Claim will be paid in full in cash at Closing from the proceeds of sale.

CWF's Allowed Class 2 Secured Claim is asserted by CWF to be approximately \$8 million. The Trustee disputes CWF's Claim to the extent that CWF has not complied with

Section 6.01 of the Settlement Agreement and reserves all rights under the CWF Settlement Agreement.

3) Class 3: Allowed Unsecured Claims

Class 3 consists of all Allowed Unsecured Non-Priority Claims. Class 3 is Impaired. Holders of an Allowed Class 3 Claim will be paid in the full amount of their respective Allowed Claims on or after the Effective Date from the available Closing Proceeds from the sale of Assets, provided that such funds are available, after payment in full of (i) all Unclassified Claims, excluding the Claims of the DIP Professionals; (ii) the Allowed Class I Claims of James City County; (iii) the Allowed Class 2 Claims of CWF; and (iv) post-confirmation fees and expenses of Trustee's Counsel. Distribution of any Class 3 Claim that is a Disputed Claim will be reserved until such Claim is Allowed.

The total of the Class 3 Allowed Claims does not exceed \$66,920.00.

4) Class 4: Secured Claim of AVN

Class 4 consists of the Allowed Secured Claim and Allowed Unsecured Claim of AVN Air, LLC. Class 4 is Impaired. As provided in the Omnibus Settlement Agreement, the Class 4 Secured Claim will be paid on or after the Effective Date from the available Closing Proceeds from the sale of Assets, provided and to the extent that such funds are available in three tranches:

Tranche 1 of the Allowed Secured Claim of AVN will be paid as a \$1.5 million distribution from the available Closing Proceeds from the sale of Assets, if and to the extent available, following the payment of or reservation for (i) all Unclassified Claims, excluding the Claims of the DIP Professionals; (ii) the Allowed Class 1 Claims of James City County; (iii) the

Allowed Class 2 Claims of CWF; **(iv)** any post-confirmation fees expenses of Trustee's Counsel; and **(v)** the Allowed Class 3 Claims.

Tranche 2 of the Allowed Class 4 Claim of AVN in the amount of \$3.4 million will be paid following the payment of all of Tranche 1 and \$600,000.00 of the Allowed Claims of the DIP Professionals.

Tranche 3 of Allowed Class 4 Claim of AVN (the balance of AVN's Allowed Claim amount) will be paid following the payment of **(i)** all of Tranches 1 and 2, **(ii)** \$1.6 million in respect of Sotheby's Class 5 Allowed Secured Claim; and **(iii)** the balance of the Allowed Claims of the DIP Professionals.

5) Class 5: Secured Claim of Sotheby's

Class 5 consists of the Allowed Secured Claim of Sotheby's. Class 5 is Impaired. The Allowed Class 5 Secured Claim shall be paid according to the terms of the Omnibus Settlement Agreement. The Class 5 Secured Claim of Sotheby's will be paid in the agreed amount of \$1.6 million on or after the Effective Date from the proceeds of the sale of the Property, provided that such funds are available for distribution. In the event that funds are insufficient for the payment of Sotheby's as of the Effective Date, such Claims will be paid as funds are realized from the liquidation of the Debtor's Assets as available.

The Allowed Secured Claim of Sotheby's will be paid from the proceeds of the sale of the Property on or after the Effective Date, to the extent proceeds are available, following the payment of **(i)** all costs of sale, including Broker's Commission; **(ii)** the Trustee's Compensation, as Allowed by the Court; **(iii)** the Allowed Class1 Claim of James City County; **(iv)** the Allowed Class 2 Secured Claim of CWF; **(v)** the fees of the Trustee's professionals, as Allowed by the Court, plus an allowance for post-confirmation expenses; **(vi)** the Allowed Priority Unsecured

Claims; (vii) the Allowed Class 3 Unsecured Non-Priority Claims; (viii) AVN's Allowed Class 4 Secured Claim in the amount of \$1.5 million; (ix) \$600,000 of the DIP Professionals Claims; and (x) \$3.4 million of the Allowed Class 4 Secured Claim of AVN.

6) Class 6: Interests in the Debtor

Class 6 consists of the Equity interests in the Debtor held by the Minor Trust. To the extent that funds remain following the full and final satisfaction of all (i) Allowed Administrative Claims, (ii) Allowed Secured Claims, (iii) Allowed Unsecured Priority Claims, (iv) Allowed Unsecured Non-Priority Claims, (v) the Allowed Administrative Claims of the Trustee's Counsel, including post-confirmation fees and expenses and (vi) the Claim of the DIP Professionals, such remaining funds may be paid to Debtor. Based on the best information currently available it does not appear that there will be any surplus available for distribution to the Debtor or its equity holder.

**VII. ACCEPTANCE OR REJECTION OF PLAN
AND CONFIRMATION REQUIREMENTS**

A. General

The holders of Allowed Claims in Impaired Classes shall be requested to accept or reject the Plan. The acceptance or rejection of the Plan will be made by submitting the Ballots to be provided to the Holders of Allowed Claims in Impaired Classes.

B. Voting of Claims

Subject to the exceptions provided below, any Claim holder whose Claim is impaired under the Plan is entitled to vote if either (1) its Claim has been scheduled by the Debtor and such Claim is not scheduled as disputed, contingent or unliquidated, or (2) such Claim holder has filed a proof of claim with respect to a disputed Claim.

A holder of a disputed Claim is not entitled to vote on the Plan unless the Bankruptcy Court, upon motion of the creditor whose claim has been objected to, temporarily allows the Claim in an estimated amount which it deems proper for the purpose of voting to accept or reject the Plan. Any such motion must be heard and determined by the Bankruptcy Court prior to the date established by the Bankruptcy Court as the final date to vote on the Plan. In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection of the Plan by the creditor is not solicited or procured in good faith or in accordance with the provisions of the Code.

C. Vote Required for Class Acceptance

The Bankruptcy Court will find that the Plan has been accepted if, for each impaired class that has voted, there are votes submitted by at least two-thirds (2/3) of the total amount of the voted claims in the class and more than one-half (1/2) of the total number of voted claims in the class, in support of the Plan.

D. Cramdown

In order to confirm the Plan, among other things, the Trustee must establish that, in accordance with §1129(a)(8) of the Bankruptcy Code, each Class of Claims or Interests either **(i)** has accepted the Plan or **(ii)** is not Impaired under the Plan. In the event that neither of these requirements can be satisfied, however, and all other applicable requirements for confirmation under §1129(a) of the Bankruptcy Code are satisfied, the Plan may be confirmed by the Bankruptcy Court, provided that the Plan does not “discriminate unfairly”, and is “fair and equitable” with respect to any Class of Claims or Interest that is impaired under and has not accepted the Plan. The phrase “fair and equitable” has different meanings for secured and unsecured class and classes for interest.

If one or more classes of impaired claims under the Plan rejects the Plan, the Trustee reserves the right to request the Bankruptcy Court to determine at the confirmation hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired class of claims so as to allow the confirmation despite the vote to reject the Plan.

The Trustee also reserves the right to amend the Plan at that time in such manner as to permit confirmation over the vote of the rejecting impaired class.

VIII. MEANS OF IMPLEMENTING THE PLAN

A. Effective Date Distribution

The Plan is predicated upon the sale of the Property. As soon as practicable following the Closing of the sale, on or after the Effective Date, the Trustee will make distributions to the holders of Allowed Claims in the priority set forth in Section VI, above. Claims which have not been Allowed or are disputed as of the Effective Date will be reserved for and paid upon allowance. If the Martin's Beach parcel is not sold at or before the Closing of the Carter's Grove parcel, the net proceeds of the Martin's Beach parcel, after the payment of all closing costs and the Trustee's costs of administering the Martin's Beach parcel, shall also be distributed promptly after the Closing of the Martin's Beach parcel in the same order of priority as described herein.

If the Trustee has not paid CWF's claim in full by May 1, 2014, the Trustee will auction the property free and clear of liens and other interests, but subject to the Easement and the secured claim of James City County for real estate taxes, with any such sale scheduled to close by May 31, 2014, or at such later date as CWF and the Trustee shall mutually agree.

Pursuant to the terms of the Settlement Agreement between CWF and the Trustee, which was approved by Court Order dated September 12, 2012 (the "CWF Settlement Agreement"), the Trustee may enter into an agreement with a third party or with CWF to serve as the stalking

horse bidder for such a sale. Whether or not CWF is the stalking horse bidder at any proposed auction sale, CWF shall have the right to credit bid under Bankruptcy Code § 363(k) up to the full amount of its Allowed Claim, provided that it will pay in cash the following Administrative Expense Priority Claims: (a) the Trustee's Compensation in such amount as is awarded by the Bankruptcy Court, and (b) all direct costs of sale, including the fees and expenses payable to the Broker. Other credit bids shall be subject to the same obligation regarding Administrative Expense Priority Claims. Furthermore, any winning bidder at the auction shall be required to pay in cash any portion of the purchase price not payable to the bidder as creditor, including Allowed Claims in Class 1 and Class 2, the advances made by CWF pursuant to the CWF Settlement Agreement and those certain Administrative Expense Priority Claims identified above.

Nothing contained in the Plan or the Confirmation Order modifies the rights of the parties under the Settlement Agreement and the Financing Order

In order for an auction sale to be effectively advertised, the protocols will have to be established and the process will have to commence in the relatively near term.

B. Payment of Fees to United States Trustee

All fees payable to the United States Trustee will be paid as they become due by the Trustee and the requisite payments shall be deemed as reasonable expense of the Estate.

C. Debtor's Dissolution

Following the closing of the sale of Carter's Grove, Debtor will remain in existence for the sole purpose of consummating the Plan. Upon consummation, the Trustee will file a certificate of dissolution as to the Debtor.

D. Debtor's Books and Records

Upon consummation of the Plan, the Trustee will be free to abandon, destroy or otherwise dispose of all of the books and records of the Debtor without further order of the Court.

E. Closing of the Debtor's Case

Upon the full administration of the Estate's assets, the Trustee will file the Final Account and report with the Bankruptcy Court. At such time, the Trustee will move the Court to enter a Final Decree closing the Bankruptcy Case.

F. Distribution of Property Under the Plan

The Trustee will make all Distributions under the Plan in accordance with its terms. All distributions made in cash will be made in compliance with all tax and reporting requirements required by any governmental unit and will be subject to all applicable withholding and reporting requirements.

G. Allowance of Claims and Interests

1) Objections to Claims

Except as otherwise provided under the Plan or order of the Bankruptcy Court, the Trustee will file objections to Claims within thirty (30) days prior to the Effective Date. The Trustee may obtain an extension of this date by filing a motion in the Bankruptcy Court, based upon a showing of "cause." Once a Claim becomes an Allowed Claim it will receive the treatment afforded by the Plan.

2) Disallowance of Claims

Unless otherwise ordered by the Court, all Claims held by persons against whom the Trustee has asserted an objection to Allowance of Claim are deemed Disallowed pursuant to §502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distribution

under the Plan or vote to accept or reject the Plan, until such time as the Objection has been finally resolved by Court Order.

3) Allowance of Claims

Unless otherwise provided in the Plan, no claim will be deemed Allowed by virtue of the Plan or Entry of the Confirmation Order, unless and until such Claim is deemed allowed under the Bankruptcy Code or the Court enters a Final Order in the Bankruptcy Proceeding allowing such Claim.

H. Distributions to Holders

At the close of business on the ninetieth day after the Effective Date there will be no further changes in the record holder of any Claim. The Debtor and the Trustee will have no obligation to recognize the transfer of any Claim occurring after the ninetieth (90th) day following the Effective Date and are authorized and entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the Claims Register as of the close of business on the ninetieth day following the Effective Date.

I. Unclaimed Disbursement

In the event that a creditor with an Allowed Claim fails to cash any disbursement check provided under the Plan within ninety (90) days from the date of such check, said creditor shall forfeit all rights to any payment under the Plan and shall have no Claim whatsoever against the Debtor, Trustee, or creditors with Allowed Claims. Any disbursement so forfeited shall be returned to the Trustee and will be redistributed to creditors on a pro rata basis.

J. Fees and Expenses Incurred in Distributing Plan Payments

The reasonable fees and expenses incurred by the Trustee, including, without limitation, reasonable fees and expenses of counsel, in disbursing the Plan payments will be paid in cash

from such assets upon further application and approval from the Court in accordance with the priorities set forth herein.

IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection

Except as provided above, any and all other executory contract and unexpired leases within the meaning of §365(a) of the Bankruptcy Code which have not been rejected or as to which Trustee has not applied to the Court for authority to reject within ninety (90) days after the Effective Date or which have not been rejected pursuant to the terms of the Plan, shall be deemed to have been rejected by Debtor or the Trustee as of the Effective Date.

B. Claims Relating to Rejection

Any party to an executory contract or unexpired lease that is rejected pursuant to the Plan or is the subject of a pending rejection motion, is required under the terms of the Plan to file by the Rejection Claim Bar Date a proof of claim for amounts due as a result of such rejection; provided however, if a motion seeking rejection is heard and determined prior to the Effective Date, any claim based thereon must be filed on the later to occur of thirty (30) days of entry of an order ruling on the motion, or one hundred twenty (120) days from the Effective Date if not expressly assumed. Any such Claim not filed by the Rejection Claim Bar Date as provided in the Plan is forever barred and is not enforceable against the Debtor or the Trustee and the Debtor and Liquidating Trustee will have no obligation to pay the same.

X. MISCELLANEOUS PROVISIONS

A. No Discharge of Debtor

Pursuant to §1141(d)(3) of the Bankruptcy Code, confirmation of the Plan will not discharge the Debtor.

B. Post-Confirmation Injunction

Except as provided in the next following paragraph, from and after the Confirmation Date and as provided for by the Confirmation Order, there will be an injunction in place with regard to the Debtor, the Trustee, all creditors, parties in interest and the Assets. The injunction will have the same effect as the stay imposed by §362 of the Bankruptcy Code, except as provided in the Plan or Confirmation Order. All holders of Claims or Interests will be enjoined by the injunction from asserting any Claim against the Debtor, the Trustee or the Assets and their respective agents, successors or assigns, and from asserting any other and further Claim based on any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, against the Debtor or the Trustee, as well as their agents, successors and assigns, whether or not the holder filed a proof of claim, and will be enjoined from commencing or continuing directly or indirectly, any action or proceeding of any kind on any such Claim, and from the enforcement, attachment, collection, or recovery of such Claim by any manner or means.

The Post Confirmation Injunction shall not apply to the Class 2 Creditor's right to foreclose pursuant to Article VI(C) and the CWF Settlement Agreement. Additionally, the Post Confirmation Injunction and automatic stay shall not apply to prohibit the Class 4 Creditor's exercise of its rights under state law and its Deed of Trust in the event CWF forecloses or otherwise undertakes activity respecting the Assets after the automatic stay is lifted as to CWF.

C. Exculpation

The Trustee and the Trustee's professionals will incur no liability to the Holder of a Claim or other Entity for any act or omission in connection with the Bankruptcy Proceeding, the Disclosure Statement, Plan or execution of the Plan; provided, however, that this exculpation

shall not release or exculpate any claim arising from gross negligence, reckless acts or omissions, or willful misconduct.

**XI. TRANSFER TAX EXEMPTION FOR SALE FOR
PROPERTY FOLLOWING CONFIRMATION DATE**

Pursuant to Section 1146(a) of the Bankruptcy Code, as of the date of confirmation of the Plan, the issuance, transfer or exchange of any notes or securities under the Plan, or the making or delivery of any deed, deed of trust or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any deeds, deeds of trust, mortgages, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp tax, transfer tax or other similar tax.

XII. LIQUIDATION ANALYSIS

Creditors are advised that, as an alternative to the proposed confirmation and execution of the Trustee's Plan of Reorganization under Chapter 11 of the Bankruptcy Code, this case is subject to conversion to Chapter 7 of the Bankruptcy Code. In order to ascertain adequate information to make an informed decision concerning the acceptance or rejection of the proposed Plan, creditors should compare the amount of return on their Claims under the Plan with the amount of return should the case be converted to a Chapter 7 proceeding.

The Liquidation Analysis regarding the Debtor's assets is attached hereto and incorporated herein as Exhibit No. 2.

**XIII. CERTAIN TAX CONSEQUENCES
OF THE PLAN**

The following discussion summarizes certain Federal income tax consequences to the Debtor and Debtor's holders of Claims and Equity Interests. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations

promulgated thereunder, judicial decisions and published administrative rulings and pronouncements of the IRS, as in effect on the date hereof. Legislative, judicial or administrative changes or interpretations enacted or promulgated hereafter could alter or modify the analysis and conclusions set forth below. Any such changes or interpretations may be retroactive and could affect significantly the Federal income tax consequences discussed below. This summary does not address foreign, state or local tax law, or any estate or gift tax consequences of the Plan, nor does it purport to address the Federal income tax consequences of the Plan to special categories of taxpayers who are holders of Claims (such as taxpayers who are not domestic corporations or citizens or residents of the United States, or are S corporations, banks, mutual funds, insurance companies, financial institutions, regulated investment companies, broker-dealers and tax-exempt organizations) and assumes that each Creditor holds its Claim directly.

The Federal income tax consequences of the Plan are complex and are subject to significant uncertainties. Debtor has not requested and will not request a ruling from the IRS with respect to any of the tax aspects of the Plan.

THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE APPLICABLE TAX LAW. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE ANY OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO

**CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FOREIGN,
FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN.**

Certain Federal Income Tax Consequences to Debtor. Debtor is a single member limited liability company that is disregarded for Federal income tax purposes. Thus, Debtor is not subject to taxes imposed under chapter 1 of the Tax Code. Accordingly, any net operating losses generated by Debtor during a taxable year (“NOLs”) will pass through to the equity interest holder(s) and cannot be used by Debtor, as a Reorganized Debtor, on a carryback or carryforward basis to offset income earned during a different taxable year.

Upon a sale by Debtor of its property any recognized gain or loss equal to the difference between the pre-distribution sale proceeds and Debtor’s adjusted tax basis in the property that may be subject to capital gains tax will pass through to equity interest holders. The amount of gain recognized will include the full proceeds from any sale of property, including the amount of any indebtedness assumed by the buyer to which the property is subject. If the sale of the property results in a gain and such property was used in Debtor’s trade or business, such gain would generally be treated as a “section 1231 gain.” Such gain would be combined with other Tax Code § 1231 gains and losses. Generally, Tax Code § 1231 gains and losses are offset against each other on an annual basis, and net gain is treated as long-term capital gain, while net loss is treated as ordinary loss. Net § 1231 gains must, however, be treated as ordinary income to the extent of net § 1231 losses taken over the five most recent years, to the extent such losses have not been previously “recaptured.”

Certain Federal Income Tax Consequences to Creditors. The Federal income tax consequences of the Plan to a Creditor will depend upon several factors, including but not limited to: (i) whether the Creditor’s Claim (or portion thereof) constitutes a Claim for principal

or interest; (ii) whether the Creditor is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above); and (iii) whether the Creditor has taken a bad debt deduction with respect to its Claim. In addition, if a Claim is a “security” for tax purposes, different rules may apply. **CREDITORS ARE STRONGLY ADVISED TO CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS.**

A Creditor receiving solely cash in exchange for its Claim will generally recognize taxable gain or loss in an amount equal to the difference between the amount realized and its adjusted tax basis in the Allowed Claim. The amount realized will equal the amount of cash to the extent that such consideration is not allocable to any portion of the Allowed Claim representing accrued and unpaid interest, as further discussed below.

The character of any recognized gain or loss (i.e., ordinary income, or short-term or long-term capital gain or loss) will depend upon the status of the Creditor, the nature of the Allowed Claim in the Creditor’s hands, the purpose and circumstances of its acquisition, the Creditor’s holding period of the Allowed Claim, and the extent to which the Creditor previously claimed a deduction for the worthlessness of all or a portion of the Allowed Claim.

A loss generally is treated as sustained in the taxable year for which there has been a closed and completed transaction, and no portion of a loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered.

A portion of the consideration received by a Creditor in satisfaction of an Allowed Claim may be allocated to the portion of such Claim (if any) that represents accrued but unpaid interest.

If any portion of the distribution were required to be allocated to accrued interest, such portion would be taxable to the Creditor as interest income, except to the extent the Creditor has previously reported such interest as income.

In the event that a Creditor has not previously reported the interest income, only the balance of the distribution after the allocation of proceeds to accrued interest would be considered received by the Creditor in respect of the principal amount of the Allowed Claim. Such an allocation would reduce the amount of the gain, or increase the amount of loss, realized by the Creditor with respect to the Allowed Claim. If such loss were a capital loss, it would not offset any amount of the distribution that was treated as ordinary interest income (except, in the case of individuals, to the limited extent that capital losses may be deducted against ordinary income).

Federal Income Tax Consequences to Holders of Equity Interests Receiving No Distributions. Holders of allowed Equity Interests receiving no distributions will generally recognize loss in the amount of each such holder's adjusted tax basis in the Equity Interest. The character of any recognized loss (i.e., ordinary income, or short-term or long-term capital gain or loss) will depend upon the status of the holder, the nature of the Equity Interest in the holder's hands, the purpose and circumstances of its acquisition, the holder's holding period, and the extent to which the holder had previously claimed a deduction for the worthlessness of all or a portion of the Equity Interest.

A loss generally is treated as sustained in the taxable year for which there has been a closed and completed transaction, and no portion of loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered.

Information Reporting and Backup Withholding. All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding requirements. Under Federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to “backup withholding.” Backup withholding generally applies if the holder fails to provide a taxpayer identification number or fails to otherwise establish an exemption. The amount of any backup withholding will be allowed as a credit against the holder’s Federal income tax liability and may entitle such holder to a refund. Certain persons, including corporations and financial institutions, are generally exempt from backup withholding.

Importance of Obtaining Professional Tax Assistance. No holder of a Claim or Equity Interest should rely on the tax discussion in this Disclosure Statement in lieu of consulting with one’s own tax professional. The foregoing is intended to be a summary only and not a substitute for consultation with a tax professional. The Federal, state, local and foreign tax consequences of the Plan are complex and, in some respects, uncertain. Such consequences may also vary based upon the individual circumstances of each holder of a Claim or Equity Interest. Accordingly, each holder of a Claim or Equity Interest is strongly urged to consult with its own tax advisor regarding the Federal, estate, local and foreign tax consequences of the Plan.

XIV. RETENTION OF JURISDICTION OF BANKRUPTCY COURT FOLLOWING CONFIRMATION OF PLAN

The Bankruptcy Court shall retain exclusive jurisdiction after Confirmation of this Plan of all matters arising from or related to the Plan, for as long as necessary for the purpose of §§105(a), 1127 and 1142 of the Bankruptcy Code and for inter alia, the following purposes:

(i) Determination and liquidation of all Claims or disputes arising therefrom, and until all litigation to which the Debtor or the Trustee is a party is terminated.

(ii) The classification of any creditor in the re-examination of its Claim, which has been allowed for the purpose of voting, in the determination of any objection to the creditor's Claim. The Debtor's failure to object to or to examine any Claim for the purpose of voting shall not be deemed to be a waiver of the Debtor's right to object or to re-examine the Claim and holder in part.

(iii) Determination of all questions and disputes regarding titles to the assets of the estate, and determination of all causes of actions, controversies, disputes or conflicts, whether or not subject to action pending as of the Confirmation Date between the Debtor or the Trustee and the other party, including, but not limited to, any right of the Debtor or the Trustee to receive assets pursuant to the provisions of Chapter 11 of the United States Bankruptcy Code.

(iv) Determination of any and all applications for allowance of compensation and reimbursement of expenses arising out of or relating to this Chapter 11 case of any Claims, including the fees and expenses of professionals retained by the Debtor or the Trustee for services provided prior to the Confirmation Date.

(v) The correction of any defects, the curing of any omission, or the reconciliation of any inconsistencies in this Plan or the Order of Confirmation as may be necessary to carry out the purpose and intent of this Plan.

(vi) The modification of this Plan after Confirmation pursuant to the Bankruptcy Rules and Title 11 of the United States Code.

(vii) The enforcement and interpretation of the terms and conditions of this Plan. All disputes concerning the debtor of his Property, sales and distributions, if not otherwise resolved, will be resolved by a Motion or Complaint or contested matter filed in this Bankruptcy proceeding.

XV. CONCLUSION

Trustee's Plan of Liquidation is proposed in an effort to treat each Creditor fairly. The Plan presents the Trustee's best attempt to maximize the value of Debtor's assets. The Plan accomplishes this result and ensures that all creditors will be treated equitably. The Trustee therefore recommends acceptance of the Plan.

Carter's Grove, LLC

/s/ Stanley J. Samorajczyk

Stanley J. Samorajczyk

Chapter 11 Trustee

Dated: March 12, 2014

Respectfully submitted,

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